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SUBJECT: LOCAL ELECTIONS: BELLWETHER FOR HDZ GOVERNMENT

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11. (SBU) SUMMARY AND COMMENT: Local elections on May 15 will be dominated by county and city issues but are bringing to light regional fractures within the ruling Croatian Democratic Union (HDZ), as the party suffers the repercussions of reforms made after the 2003 parliamentary elections. This campaign is giving renewed national confidence to the left-wing opposition Social Democratic Party (SDP) and marks a rise in popularity of the far right-wing Croatian Party of Rights (HSP), which contrary to its international outreach (reftel) has campaigned in true nationalist style. Despite frequent mentions by the HSP and others of early parliamentary elections if the HDZ performs poorly at the upcoming local polls, the governing coalition remains stable and it will likely hold on to its current one-seat majority no matter the results on May 15. END SUMMARY AND COMMENT.

COALITIONS ARE KEY, STRANGE BEDFELLOWS LIKELY

12. (SBU) The HDZ continues to pay the price of its move toward the center following its victory in November 2003 parliamentary elections, losing some votes to the HSP of disgruntled right-wingers opposed to such policies as cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY) and programs to support the return of ethnic-Serb refugees. While these local elections will be decided on city and county issues such as roads and jobs, the HDZ will lose some votes to the left over undelivered promises from the 2003 national campaign. Nevertheless, the party's faithful core voters will likely give the HDZ about 25 percent of the total vote on May 15 (compared to a 34 percent finish in 2003 parliamentary elections).

13. (SBU) With this dip in HDZ popularity and gains for both the left and the far-right, very few counties or cities will be governed by any single party, resulting in a widespread post-electoral coalition-building frenzy in late May and June involving almost all possible party combinations. The notable exception is the HSP, running alone in all jurisdictions, which has publicly declared it will not join in coalition with the Independent Democratic Serbian Party (SDSS) due to ties of some party leaders to the wartime government of Serb-occupied Croatia. (COMMENT: In contrast, within mainstream parties, Serb names are appearing with unprecedented frequency on traditionally Croat lists, illustrating a growing political maturity. END COMMENT.)

14. (SBU) The two largest parties, the center-right HDZ and center-left SDP, may hesitate to enter any coalitions as they define the opposing ends of the Croatian political spectrum, though this combination is possible if absolutely necessary. Independent party lists are popping up like weeds, including the Zagreb list of former presidential candidate and Croatian-American Boris Miksic, but few are likely to be of lasting significance. City and county governments not formed within two months of elections face dissolution by the central government and appointment of a state commissioner as caretaker until a new election can be held.

OSIJEK AND ZAGREB) SAMPLE BATTLEGROUND

15. (SBU) The eastern Croatian city of Osijek represents the most dramatic split of the HDZ, after the party in April expelled local strongman and MP Branimir Glavas, one of the few remaining high-profile, extreme hardliners. Glavas, taking his loyalists with him, split the electorate into four parts: Glavas, the HDZ, and two parties running separately from an incumbent left-wing coalition that has held power for more than ten years. Osijek election results and the subsequent inevitable struggle to form a coalition will determine the political future of this city, which has led the Eastern Slavonia region in stability-ensuring reforms to date.

16. (SBU) The campaign in Zagreb, which represents about 25 percent of the Croatian electorate, has been relatively low key, with the HDZ running more of a tourist campaign than a

political one, avoiding conflict with the widely popular SDP candidate former mayor Milan Bandic. Bandic, currently the very visible deputy mayor, is likely to succeed in his attempt to come back from the drunk driving incident and various abuse of power accusations that drove him from the city's top job in 2002. The SDP, however, will need a coalition partner, and the natural choice, the Croatian People's Party (HNS), has not forgiven Bandic his misdeeds and has said it will not be part of a coalition with him at the helm. This may leave the SDP to face that implausible

coalition with the HDZ or cobble together smaller partners from the likes of the HSP, the pensioners' party, or any independent lists that cross the five percent threshold.

NATIONALIST HSP SHOWS TRUE COLORS

17. (SBU) Despite its concerted campaign to convince the international community of its new centrist outlook, the HSP has not demonstrated any departure from its nationalist roots during the campaign. Party President Anto Djapic has spoken openly against the government's hunt for fugitive Ante Gotovina and its cooperation with the Hague Tribunal. He also attended at least one campaign rally including the screening of a war documentary with various scenes of Serbs standing near burning houses and churches. Their guilt or innocence is unclear, but the presentation included photos drawn from the film and the message, "These are your neighbors) Recognize them." Unfortunately, Djapic's rhetoric still holds appeal for a small portion of the electorate, and the HSP will likely average around 10 percent at local polls.

18. (SBU) Prior to the campaign, HSP officials indicated they were expecting to be offered a role in the national government, counting on exploiting ripples among the HDZ's current coalition partners and planning to step in and save the government during a vote of no confidence that might follow a poor local elections performance. Throughout the campaign, however, Djapic has refocused on pushing for early national elections, likely hoping to increase the HSP's share of parliamentary seats (currently 8) to leverage a greater role in national government.

19. (SBU) However, the HDZ's key coalition members, the SDSS and the pensioners' party, are unlikely to jump ship soon, no matter the local electoral outcome. As the leading Serb party, the SDSS will not want to bring down the government, fearing ethnic backlash, while the pensioners will get more for party members by staying in the coalition. The opposition SDP, without which a vote of no confidence could not succeed, has not joined Djapic's call for early elections, preferring instead to wait for certain difficult issues to pass. The SDP is reportedly forming a shadow cabinet, perhaps planning a move after members pass the two-years-in-office threshold in December to qualify for parliamentary pensions.

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